

STATE OF CALIFORNIA
THE RESOURCES AGENCY
DEPARTMENT OF WATER RESOURCES

AMENDMENT NO. 1
TO THE
FIRST AMENDED AND RESTATED SERVICING AGREEMENT
BETWEEN THE
STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES
AND
SAN DIEGO GAS & ELECTRIC COMPANY

THIS AMENDMENT to the First Amended and Restated Servicing Agreement is made this 21st day of June, 2002, by and between the State of California Department of Water Resources ("DWR"), separate and apart from its powers and responsibilities with respect to the State Water Resources Development System, and San Diego Gas & Electric Company, a California corporation ("Utility"). DWR and Utility are sometimes collectively referred to as the "Parties" and individually referred to as a "Party."

RECITALS

A. Under Chapter 4 of Statutes of 2001 (Assembly Bill 1 of the First 2001-02 Extraordinary Session, as amended) of the State of California (the "Act"), DWR is authorized to sell electric power and energy to Customers.

B. Utility is engaged in, among other things, the transmission and distribution of electrical services to customers in its service territory, the billing and collection for electrical services and other charges, and the ownership, installation and reading of electrical meters for such customers.

C. The Act and Applicable Commission Orders allow DWR and the Utility to enter into contracts under which the Utility provides for the transmission and distribution of all power sold or made available for sale by DWR to Customers, and provides billing, collection and related services, as agent for DWR, on terms and conditions that reasonably compensate Utility for its services.

D. On June 22, 2001, the Parties entered into a Servicing Agreement (the "Original Agreement") to set forth the terms under which Utility will provide for the transmission and distribution of DWR Power as well as billing and related services. On September 6, 2001, the Commission approved the Original Agreement pursuant to Decision 01-09-013.

E. On March 29, 2002, the Parties entered into a First Amended and Restated Servicing Agreement (the "Amended and Restated Agreement"), amending and restating the Original Agreement. The Amended and Restated Agreement became effective on April 22, 2002, upon approval by the Commission pursuant to Decision 02-04-048.

F. Pursuant to the Amended and Restated Agreement, Utility has agreed to bill, collect and remit Bond Charges to DWR upon the implementation thereof by the Commission.

G. On May 23, 2002, Governor Davis issued Executive Order D-56-02, ordering DWR to implement a limited-term rate reward program (the "2002 20/20 Program") for conservation efforts by residential customers of Utility, similar to the so-called "20/20" program offered in 2001. Pursuant to Resolution E-3770 adopted on June 6, 2002, the Commission has ordered Utility to implement the 2002 20/20 Program.

H. The Parties desire to further amend the Amended and Restated Agreement (as so amended, the "Agreement") to provide for a separate line item on the Consolidated Utility Bill for Bond Charges and to implement the 2002 20/20 Program.

NOW, THEREFORE, in consideration of the mutual obligations of the Parties, the Parties agree as follows:

1. Capitalized terms used but not otherwise defined in this Amendment shall have the meanings given in the Amended and Restated Agreement. Unless otherwise specified in this Amendment, all references herein to sections, subsections, paragraphs, subparagraphs, clauses and the like shall be references to portions of the Amended and Restated Agreement.

2. Notwithstanding anything to the contrary in the Agreement, all DWR Revenues and DWR Charges shall constitute property of DWR. Nothing in this Section 2 shall be construed to imply any obligation on the part of the Utility to make payments to DWR in respect of DWR Charges not actually collected from Customers in accordance with this Agreement.

3. A new subsection (d) is hereby added to Section 2.2 of Service Attachment 1, as follows:

(d) Notwithstanding subsections (a), (b) and (c), above, the Consolidated Utility Bill shall, upon Commission implementation of Bond Charges, (i) at all times thereafter contain a separate line item for Bond Charges and (ii) so long as DWR is providing Power to Customers, contain a statement to the effect that the Consolidated Utility Bill includes Charges for power provided by DWR for which DWR is collecting "X" cents per kilowatt hour (where X = the current Power Charge). DWR shall pay Utility its incremental costs incurred to implement the separate line for Bond Charges as additional fees for additional services in accordance with Section 7 and Attachment G of this Agreement.

4. The Parties agree that the 2002 20/20 Program is included within the scope of Section 4.3 as an extension or modification of the 20/20 Program offered in 2001, and that Section 4.3 grants Utility full authority to recover its costs for such program, as provided in Section 4.3 and otherwise in the Agreement.

5. Attachment F, attached to this Amendment, is hereby incorporated into the Agreement by this reference, and hereby replaces the Attachment F attached to the Amended and Restated Agreement. The Parties hereby agree to the terms and conditions of Attachment F and all references to Attachment F in the Agreement shall hereafter refer to Attachment F of this Amendment.

6. This Amendment shall become effective upon approval by the Commission, except that reimbursement to Utility for the 2002 20/20 Program rebate costs and implementation costs may commence in accordance with Attachment F, attached hereto, prior to Commission approval of this Amendment. In the event this Amendment is not approved by the Commission, payments for the 2002 20/20 Program shall be in accordance with the provisions incorporated by this Amendment and the Amended and Restated Agreement as it exists as of the date hereof concerning the payment of fees and charges as set forth in Section 7 of such Amended and Restated Agreement.

7. This Amendment may be signed in one or more counterparts, which, taken together, shall constitute one and the same instrument.

8. The Agreement, as amended by this Amendment, shall remain in full force and effect. This Amendment shall be deemed to be a part of the Agreement and the Agreement and this Amendment shall be deemed to be one and the same instrument. All references to the "Servicing Agreement" or to the "Agreement" in the Agreement or in this Amendment shall hereafter mean the Agreement as amended hereby, unless the context requires a different interpretation. The parties intend this Amendment to amend the Amended and Restated Agreement, and in the event of irreconcilable conflict between the terms of such Amended and Restated Agreement and this Amendment, the terms of this Amendment shall control.

IN WITNESS WHEREOF, the Parties have executed this Amendment on the date or dates indicated below.

**STATE OF CALIFORNIA DEPARTMENT
OF WATER RESOURCES**

By: _____

Name: _____

Title: _____

Date: _____

Approved as to legal form
and sufficiency:

Chief Counsel
Department of Water Resources

**SAN DIEGO GAS & ELECTRIC
COMPANY**

By: Pamela J Fair

Name: Pamela J. Fair

Title: Vice President - Customer Operations

Date: 6/21/02

Approved as to legal form
and sufficiency:

James F. Webb
Title: Attorney for
San Diego Gas & Electric

IN WITNESS WHEREOF, the Parties have executed this Amendment on the date or dates indicated below.

STATE OF CALIFORNIA DEPARTMENT
OF WATER RESOURCES

By: *Peter S. Garris*

Name: Peter S. GARRIS

Title: Deputy Director

Date: 6/21/02

Approved as to legal form
and sufficiency:

Chief Counsel
Department of Water Resources

SAN DIEGO GAS & ELECTRIC
COMPANY

By: _____

Name: Pamela J. Fair

Title: Vice President - Customer Operations

Date: _____

Approved as to legal form
and sufficiency:

Title:

ATTACHMENT F
SAN DIEGO GAS & ELECTRIC COMPANY
CALCULATION METHODOLOGY FOR REDUCED REMITTANCES PURSUANT TO
20/20 PROGRAM

A. Reimbursement of 20/20 Rebate Costs:

1. Utility shall recover the amount of customer credits under the 20/20 Program as follows:

a. Under the remittance provision of Attachment B of this Servicing Agreement, Utility shall reduce any remittances to DWR under the Act or the California Public Utilities Commission (CPUC) Resolution E-3770 by the daily amount equal to the total of such customer credits on the following Business Day after the presentation of credits on customer bill.

b. If the amount that Utility is entitled to offset on any day exceeds the funds otherwise due to DWR, the balance will be carried over to the next day. If it appears that the amount Utility is entitled to offset will exceed the funds due to DWR for more than 3 consecutive days, then Utility will invoice DWR with an estimate of the amount due to Utility. DWR will pay such invoice within 1 Business Day of receipt. For purposes of this Attachment F, the credits or payments shall refer to the 20 percent reduction applied to customers' total net electric charges (including applicable rate surcharges), and shall include credits or payments made to resolve Customer disputes or reflect corrected bills following the end of the program.

B. Customer credits under the 20/20 Program will be applied to Customer accounts as follows:

Customer credits under the 20/20 Program will be applied to customer accounts at time of billing and allocated to DWR according to the same payment posting priority set forth in Attachment B, Section G. In those instances in which the credit exceeds the outstanding charges, the excess credit will remain on the account and be applied to future charges in the same manner.

C. Reimbursement of 20/20 Program Implementation Costs:

DWR will pay to Utility an implementation fee and recurring fees in order to cover Utility's reasonable development and on-going costs for the procedures, systems and mechanisms that are necessary to implement and support the 20/20 Program. Utility shall invoice DWR for payment of the implementation fee and recurring fees with reasonable supporting documentation in accordance with Section 7.2 of the Servicing Agreement. Final invoice to be submitted to DWR no later than February 28, 2003.

D. Estimated Costs:

1. The intent is to reimburse the actual, incremental costs incurred by SDG&E. SDG&E will exercise reasonable commercial efforts in managing their operations to minimize costs and keep within the budgeted costs shown in the table below.

2. SDG&E shall invoice DWR after a 20/20 Program implementation activity described below has been completed and will undertake reasonable commercial efforts to track and keep costs within the estimated costs shown in this Attachment F.

3. SDG&E will invoice DWR based on actual costs and provide DWR with an invoice itemizing and documenting such costs.

4. With the exception of Customer Service Representative calls, SDG&E is unable to track, itemize and document costs for Customer Bill Inquiries without undertaking extensive system programming and hardware upgrades. Specifically, these types of inquiries include field calls, meter re-reads, re-bills and meter tests. Based on 2001 20/20 Program activity levels SDG&E does not anticipate any incremental increase in costs for these activities. Accordingly, SDG&E has not included cost estimates for these types of Customer Bill Inquiries in the table below. However, DWR agrees that if SDG&E should experience a significant increase in activity levels for the types of customer bill inquiries described above, SDG&E will notify DWR and provide to DWR documentation reasonably necessary to establish such activity levels. SDG&E and DWR shall negotiate a mutually acceptable adjustment based on an estimate of reasonable costs for the applicable increased Customer Bill Inquiries.

Item Number	Expense Items	Quantity or Unit Costs	2002
1	Systems Programming	One Time Fee	\$16,100 - \$18,500
2	Customer Communications (FAQ Sheets, Bill Inserts, Mailing Costs & Other Communications)	One Time Fee	\$484,750 - \$686,300
3	Additional Postage for Bill Insert	One-Time	\$280,000 - \$300,000
4	Customer Service Representative Calls & Training	On-Going	\$35,600 - \$47,750
5	Advertising Campaign	On-Going	¹
	Total Estimated Admin Costs		\$816,450 - \$1,052,550 (does not include Advertising costs)

¹ SDG&E will receive a percentage of the presently estimated \$3million cost to implement a statewide advertising campaign, which is contemplated by the CPUC and the Governor. This cost will be proportionally allocated among the three utilities.

E. 20/20 Program Reporting:

1. **Daily** – To the extent reasonably possible, each Business Day SDG&E shall provide DWR with a report showing the aggregated dollar amount and number of 20/20 Program credits applied to Customer accounts.

2. **Monthly** – To the extent reasonably possible, SDG&E shall provide DWR with monthly reports showing the monthly total number of customer accounts by rate schedule and the corresponding 20/20 Program credit amount and energy use statistics as identified in the sample monthly report below. Monthly reports will be completed within 10 Business Days after the first of each month.

3. **Program Summary** – To the extent that SDG&E completes any additional analysis of the results of the 20/20 Program, SDG&E will provide to DWR such analysis. Any additional findings, including "lessons learned" and recommendations for future similar programs, will also be provided to DWR.

Sample Daily Report – 20/20 Program

Report Id:XXXXXXX SAN DIEGO GAS & ELECTRIC
Process Date: XX/XX/XXXX Page: X
PGM ID: XXXXXX DWR 20/20 CREDIT REPORT Run Date:
XX/XX/XXXX Time: XX:XX
FOR THE DAY ENDING XX/XX/XXXX

TOTAL 20/20 CREDITS PAID: CUSTOMERS: XX
AMOUNT \$ XXX.XX

Sample Monthly Report – 20/20 Program:

Summary Results of 20/20 Conservation Program: August 2002

	Total	20/20	20/20	20/20	20/20	20/20	20/20	20/20	20/20
Rate Schedule	Number Of Accounts	Credits Issued	Credits Issued (%)	Credits Issued (\$)	Avg. Credit (\$/Account)	Benchmark kWh	Actual kWh	Reduction kWh	Reduction (%)
DR									
DR-LI									
DM									
DS									
DT									
DT-RV									
D-SMF									
DR-TOU									
DR-TOU-2									
EV-TOU									
EV-TOU-2									
EV-TOU-3									
Total: Residential									